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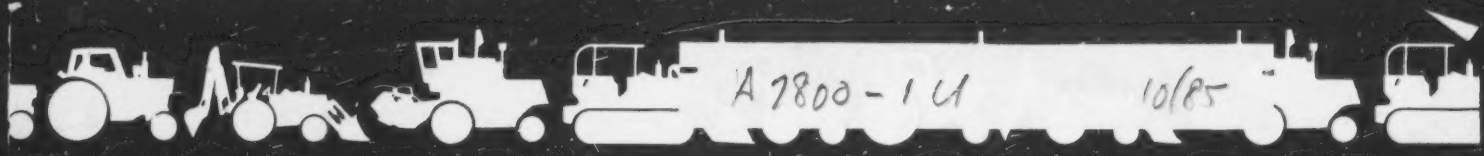


EQUIPMENT DEALERS

1984 COST OF DOING BUSINESS STUDY

AGRICULTURAL-INDUSTRIAL-LAWN & GARDEN

SALES/MARGINS/EXPENSES/NET PROFIT/FINANCIAL RATIOS
BALANCE SHEET DATA/EMPLOYEE STUDIES

NATIONAL FARM & POWER EQUIPMENT DEALERS ASSOCIATION
10877 WATSON ROAD • ST. LOUIS, MISSOURI 63127

FOREWORD

As in each year since 1947, special questionnaires were mailed early in the year to approximately 11,000 U.S. and Canadian agricultural and industrial equipment dealers as well as to selected non-member U.S. lawn and garden equipment dealers. Direct mailings of the forms were made from the National Association headquarters in St. Louis and support mailings were made by cooperating affiliated state and regional associations.

The questionnaires conform to all of the widely-used dealer accounting systems and were designed to secure significant information on departmental sales and margins, a breakdown of dealer overhead, and balance sheet and employee data.

Hundreds of responses were received in the mail survey. In addition, most of the dealers currently using association computer accounting systems throughout the U.S. were included. Publication of this study is made possible only through the cooperation of dealers and their bookkeepers who furnished comprehensive departmental operating information and the detailed balance sheet and expense breakdowns. Sincere thanks plus a free copy of this booklet are due those who took time out of busy schedules to compile information for this important project.

Number of returns received from dealers in each of nine U.S. regions (identified in U.S. map on front cover) and Canada are listed below:

	No. of Returns	% of Dealer Response
Region 1	104	9.2%
Region 2	90	8.0
Region 3	56	5.0
Region 4	69	6.1
Region 5	191	17.0
Region 6	133	11.8
Region 7	129	11.5
Region 8	144	12.8
Region 9	109	11.7
Canada	100	8.9
	1,125	12.1

Major-line dealer representation in the 1984 Cost of Doing Business was also in almost direct proportion to the respective counts of major-line dealer membership in the National Association.

The number of agricultural dealer participants by sales volume category were as follows:

	1984		1983	
Sales Volume	No. of Dealers	% of Total	No. of Dealers	% of Total
To $1 Million	253	22	209	19
$1 Million to $2 Million	350	31	343	31
$2 Million to $3 Million	252	22	217	20
$3 Million and over	270	25	328	30
	1,125	100	1,097	100

In addition, 64 industrial dealers and 13 lawn and garden dealers responded to the survey.

Operating studies by geographical region for agricultural dealers are shown on pages 12-13.

Combined total retail sales of dealers responding in the survey were in excess of $3,000,000,000 which represents approximately 41% of the estimated $7.4 billion of machinery purchases by U.S. farmers in 1984.

Separate studies of agricultural, industrial and lawn and garden dealers are shown on pages 6 and 7. Dealers were classed as industrial or lawn and garden if 50 percent or more of their equipment sales in the year were these classes of goods.

HIGH-PROFIT STUDIES

Returns used in compiling averages of high-profit dealers represent approximately one-fourth of the particular group. To arrive at these figures, the questionnaire returns were first ranked according to percentage of net profit (or loss) to sales, from the highest profit downward. The best one-fourth of the returns in the array were then selected to make these tabulations — a most interesting and valuable part of the Cost of Doing Business Study.

PERCENTAGE CALCULATIONS

All percentages shown in operating studies are in relation to sales. They are computed by dividing the dollars of margin or expense by sales.

In the case of margins, each item is divided by sales of the particular department to arrive at the percentage of margin for the department. Total margin divided by total sales gives the percentage of margin on the composite of all sales.

Percentages shown for expenses are in relation to total sales. Again, the dollar amount for each item is divided by total sales to arrive at the percentage.

Operating percentages are important since they reflect the degree of operating efficiency. These figures are the true test of performance and serve as a sound basis for accurate comparison regardless of sales volume.

Individual dealer financial and operating information is held in strictest confidence at the National Association headquarters. All of the editing and coding of reports are performed "in house" and completely tabulated in NFPEDA's own computer.

1984 COST OF DOING BUSINESS STUDY

In 1984, farm equipment dealers continued their three-year struggle to make a profit in a weak agricultural economy. Net profit before taxes dropped to an all-time low of 0.78 percent of sales for the average reporting dealer in the 1984 Cost of Doing Business Study, a drop of 18 percent below the year earlier average profit of 0.95 percent. Margins were lower than in 1983 but the difference was very little . . . 14.61 percent of sales this year compared to 14.76 percent in 1983.

There was also very little change in the expense ratio. Total expense was 16.44 percent of sales this year compared to 16.88 percent in the year prior.

Other income for the average dealer dropped off to 2.61 percent of sales compared to 3.07 percent in the year prior. This amounts to a 15 percent reduction in the other income ratio to total sales, a substantial slide for the year.

To blame for the weakness in dealer margins and profits is the market for machinery which continues slow. The USDA's *Agricultural OUTLOOK* has this to say about 1984:

"Market supplies of farm machinery were large throughout the first 11 months of 1984. Despite heavy price discounting and other marketing incentives, depressed farm machinery demand continued to thwart manufacturers' attempts to reduce inventories.

"Fewer tractors and less harvesting equipment were purchased (by farmers) in 1984 than in recent years. Unit purchases of two-wheel-drive tractors over 40 horsepower(hp) and all four-wheel-drive tractors were 26 and 51 percent, respectively, below the 1980-83 annual averages. Meanwhile, unit purchases for various types of harvesting equipment dropped between 21 and 46 percent.

" . . . The growing importance of farm machinery imports, especially small- to medium-sized tractors, has been a major factor contributing to the decline in the U.S. farm machinery trade balance."

Diversification Setting In?

Perhaps the biggest news coming out of the Cost of Doing Business Study for 1984 is how "Other Lines" have suddenly surged to real prominence in the dealer sales mix. This item consists of products (or services) other than farm equipment and repair parts and may or may not be agriculturally related. While these "Other Lines" in recent years have represented some two to three percent of the average dealer's sales volume, in 1984 it jumped to nearly nine percent, or over $225,000.

When the farm equipment market has slowed to a trickle, it is only natural that dealers would look elsewhere for sales support to help take care of the overhead.

Inventory Turnover

Inventory turnover is the "name of the game" in the farm equipment business. Rates of turnover have been on a downhill slide since 1979 when the rate was 2.52 times turn. Profit on sales and return on investment of the average farm equipment dealer have also been on the decline since 1979:

	New & Used Eqpt. Inventory Times Turn	Profit % of Sales	% Return on Dealer Investment
1979	2.52	3.66	26.57
1980	2.04	2.87	19.19
1981	1.77	2.25	15.36
1982	1.46	0.92	5.62
1983	1.45	0.95	5.57
1984	1.38	0.78	4.52

Profitability vs. Sales Volume Size

Large volume dealers were again the best in profit performance in this year's Cost of Doing Business Study. Volume Group "D" dealers, with sales volumes exceeding $3 million, showed a before-tax profit of 1.55 percent of sales while Group "A" dealers, with the very smallest volume, were on the loss side with a minus 1.52 percent of sales. Group "B" dealers, with average sales volume of $1.578 million, were closest to break-even with a minus 0.15 percent of sales while Group "C" dealers, with average sales of $2.595 million, nearly matched Group "D", coming up with 1.20 percent profit on sales for the year.

In 1984, the larger the sales volume that a dealer had, the lower the margin percentage earned on sales. This applied to whole goods, both new and used, and to the total margin. Group "A" dealers had the highest margin percentage on whole goods sales with 8.75 percent of sales; Group "B" dealers were next with 7.51 percent; Group "C" next with 6.67 percent; and Group "D" last with 5.97 percent. All of these margins were down from the year prior.

A similar pattern was to be found in total margins on sales for the four volume groups, with Group "A" being best and Group "D" poorest, as follows: "A"-18.23 percent, "B"-16.19 percent, "C"-14.95 percent, and "D"-13.57 percent of sales.

Expenses shown for the four volume groups in 1984 trended just the opposite of margin percentages, with small dealers doing the poorest in this ratio and the larger dealers doing best. Expense to sales percentage ratios were as follows: "A"-22.49 percent, "B"-18.95 percent, "C"-16.51 percent, and "D"-14.55 percent of sales.

Profitability vs. Geographic Regions

Virginia Association dealer-members fared the best of all the dealers in 33 state, regional and provincial associations represented in the 1984 Cost of Doing Business Study. These dealers had also done well in 1982 and 1983. Percentages of before tax profit on sales for Virginia dealers for the three years were: 1982-2.28 percent, 1983-2.79 percent, and 1984-5.22 percent.

Other area dealers performing very well in 1984 were Deep South, 2.92 percent; Mid-South, 3.00 percent; Far West, 2.84 percent; and Ontario, 2.48 percent of sales.

Following is a list of associations that had 20 or more dealerships participating in the 1984 Cost of Doing

Business Study. This list shows how average dealers fared for sales and profit ratio to sales in these areas of North America:

	1984 Average Sales (Millions)	Profit % of Sales
Carolinas	$1.618	1.40
Deep South	2.230	2.92
Illinois	2.667	1.76
Indiana	2.967	1.77
Iowa-Nebraska	1.912	(1.08)
Michigan	1.646	(0.03)
Mid-South	1.970	3.00
Minnesota-South Dakota	2.415	(0.05)
New York	2.027	(0.72)
Ohio	1.843	0.69
Pacific Northwest	2.815	(1.21)
Pennsylvania	2.175	(0.16)
Southwest (TX-NM)	2.902	0.26
Virginia	1.850	5.22
Western (KS-MO)	2.091	(1.68)
Wisconsin	2.234	1.41
Far West (CA-AZ-NV)	3.269	2.84
Saskatchewan-Manitoba	4.466	(0.26)
Alberta-British Columbia	6.866	1.50
Ontario	3.422	2.48

Detailed results for nine U.S. regions and Canada are contained on pages 12 and 13 of this booklet. These regional studies, with the exception of Region 7, Iowa-Nebraska, represent two or more state association areas and therefore include larger numbers of dealers than are involved in the association data given above.

Occupancy Expense

In 1984, dealers had a slight decrease in cost of occupancy of building and real estate, going from 1.67 percent of sales in 1983 to 1.63 percent in 1984. For small dealers, this expense was virtually unchanged at 2.33 percent of sales in 1984 compared to 2.34 percent in 1983. Large dealers had the benefit of substantial decreases.

Interest Expense

The high cost of money continues to be a major factor in the operating expenses of the average dealer, though 1984 showed a decline of 0.08 percentage points in interest expense, going from 1.56 percent of sales in 1983 to 1.48 percent in 1984. Group "A" dealers had an increase for the year of 0.51 percentage points while Group "B" and Group "C" dealers held even. The large dealers of Group "D" had a decrease in this item of expense of 0.19 percentage points, dropping from 1.36 percent of sales in 1983 to 1.17 percent of sales in 1984.

Parts and Service

Margins on repair parts declined somewhat in 1984 from the 1983 mark, going from 31.00 percent of sales down to 30.29 percent. The Group "C" segment of dealers with average total sales of $2.595 million showed an increase in margins on parts of 0.91 percentage points. The greatest decline was experienced by the small dealers of Group "A" who dropped almost two full percentage points in margins on sales.

Service labor margins increased for the average dealer by 0.64 percentage points on sales and the greatest increase was shown by the small dealers of Group "A" who picked up almost two full percentage points in 1984 over 1983. Gains by other volume groups of dealers were less significant; but on the whole, productivity in the average service department continued on the upswing in 1984 as it also did in 1983.

Salaries and Wages

Total salaries and wages (except service mechanics) paid by the average dealer in 1984 were significantly lower than 1983, going from 5.88 percent of sales in 1983 to 5.53 percent in 1984. Adding in employee benefits brings the totals to 7.47 percent in 1983 and 7.03 percent in 1984, a decline in this item of expense of 0.44 percentage points. At the same time, there was an increase in the number of employees for the average dealer, going from 12.34 in 1983 to 12.41 in 1984.

The above salary figures include salaries of officers and owners. The figures for hired employees were 4.04 percent of sales in 1983 and 3.86 percent in 1984, employee benefits not included.

Dealer Balance Sheets

The year 1984 saw serious deterioration in the balance sheets of smaller dealers, both Group "A" and Group "B" with sales up to $2 million. The cash position has weakened, indebtedness has climbed, and percentage of ownership equity has shown a serious decrease.

Groups "C" and "D" with sales above $2 million show somewhat strengthened balance sheets.

What About 1985?

In a year that could hardly be any worse for sales and profits, one wonders what the prospects might be for the next year. Good crystal balls are hard to come by when it comes to forecasting in economics, but the USDA's *Agricultural OUTLOOK* has this to say about early indicators in the agricultural sector:

"Domestic purchases of most major farm machines during January-February 1985 were below both annual purchase patterns since 1973 and depressed year-earlier sales. The drop has occurred despite slightly lower real interest rates, reduced machine prices and more attractive sales incentives."

Those regions stricken by drought in 1984 are looking hopefully toward a better growing season and crops for their farmer customers. With just this one "break", the minuses of 1984 can be pluses in 1985.

DEALER BUSINESS TRENDS

(FOR THE PAST 10 YEARS)

FIG. 1
DEALER TOTAL SALES TRENDS

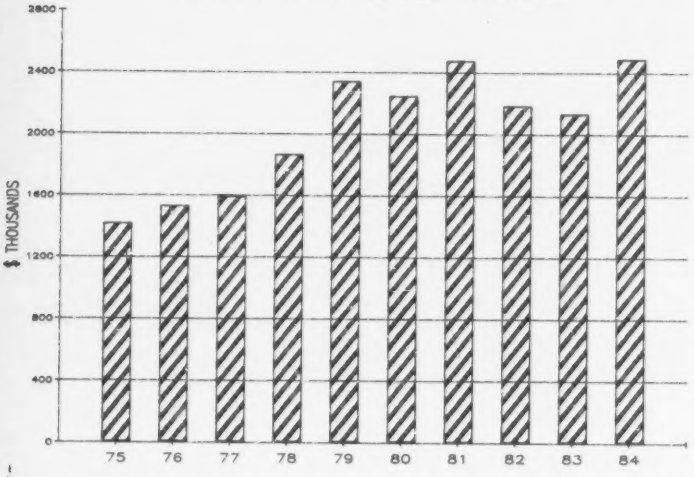


FIG. 2
DEALER MARGIN, EXPENSE & PROFIT TRENDS

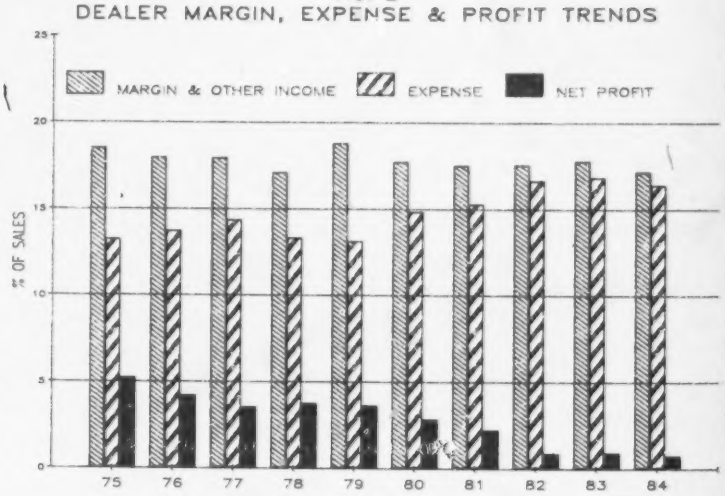


FIG. 3
NEW AND USED EQUIPMENT SALES TRENDS

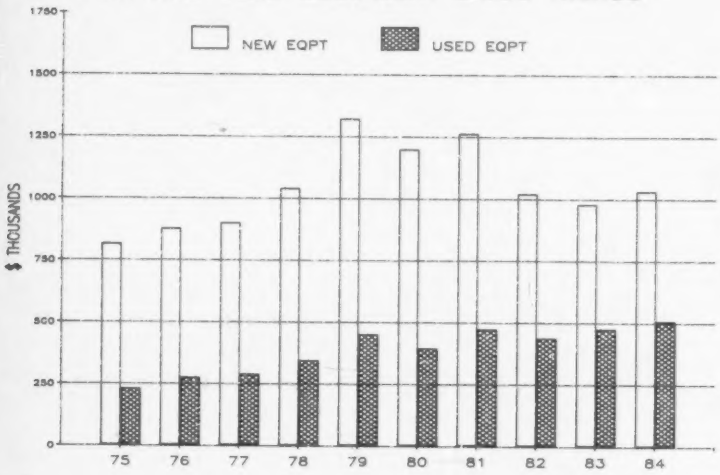


FIG. 4
PARTS–SERVICE–OTHER SALES TRENDS

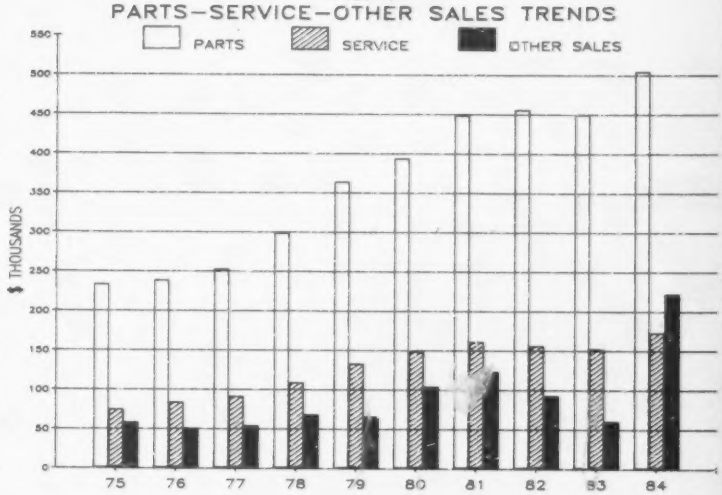


FIG. 5
NEW AND USED EQUIPMENT MARGIN TRENDS

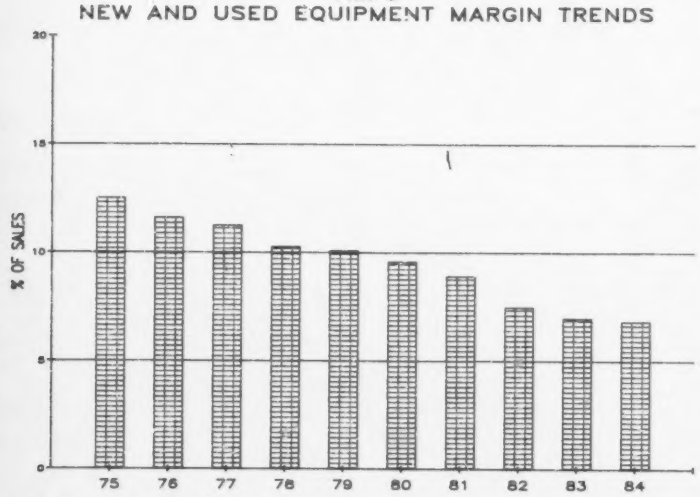
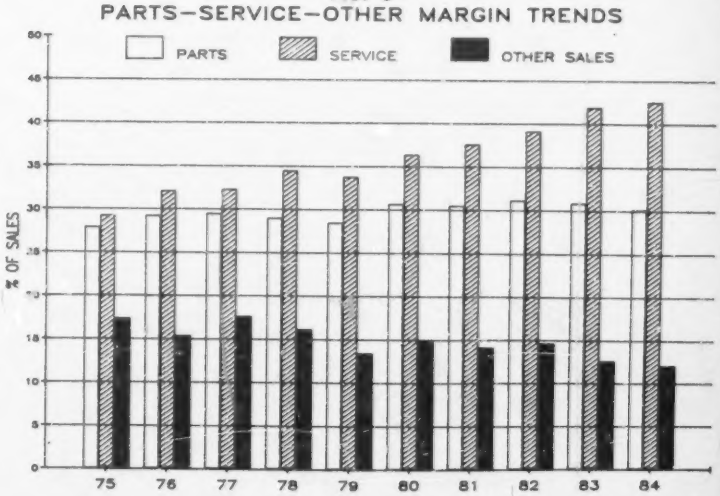


FIG. 6
PARTS–SERVICE–OTHER MARGIN TRENDS



OPERATING DATA — ALL DEALERS

OPERATING AVERAGES	AGRICULTURAL DEALERS Amount	% Sales	INDUSTRIAL DEALERS Amount	% Sales	LAWN AND GARDEN DEALERS Amount	% Sales
SALES						
New Equipment	$1,035,520	41.51	$1,509,666	43.54	$ 382,663	50.15
Used Equipment	511,480	20.50	439,949	12.69	87,321	11.44
Total New and Used	1,547,000	62.01	1,949,615	56.22	469,984	61.59
Repair Parts	505,557	20.26	659,561	19.02	182,084	23.86
Service Labor	174,186	6.98	218,252	6.29	74,523	9.77
Other Lines	223,324	8.95	437,900	12.63	27,001	3.54
Rental-Lease Income	44,693	1.79	202,238	5.83	9,497	1.24
TOTAL SALES	**2,494,760**	**100.00**	**3,467,566**	**100.00**	**763,089**	**100.00**
MARGINS						
New Equipment	81,932	7.91	181,413	12.02	54,204	14.16
Used Equipment	19,618	3.84	46,931	10.67	(6,001)	(6.86)
Total New and Used	101,550	6.56	228,344	11.71	48,203	10.26
Repair Parts	153,134	30.29	205,960	31.23	53,693	29.49
Service Labor	74,302	42.66	88,646	40.62	31,056	41.67
Other Lines	27,232	12.19	61,514	14.05	(263)	(.96)
Rental-Lease Income	8,163	18.26	52,378	25.90	9,497	100.00
TOTAL OPERATING MARGIN	**364,381**	**14.61**	**636,842**	**18.37**	**142,186**	**18.63**
EXPENSES						
Salaries — Salesmen	36,586	1.47	68,235	1.97	17,954	2.35
Travel and Training	5,327	.21	7,858	.23	2,720	.36
Advertising and Promotion	16,732	.67	25,107	.72	7,659	1.00
After Sales & Warranty Expense	16,132	.65	16,021	.46	4,296	.56
TOTAL SALES EXPENSE	**74,777**	**3.00**	**117,221**	**3.38**	**32,629**	**4.28**
Salaries — Officers, Owners	41,750	1.67	59,656	1.72	18,008	2.36
Salaries — Partsmen	35,514	1.42	49,546	1.43	14,201	1.86
Salaries — Office and Others	24,320	.97	39,411	1.14	10,998	1.44
Occupancy Expense	40,639	1.63	56,305	1.62	15,297	2.00
Heat, Light, Power, Water	9,423	.38	11,095	.32	4,348	.57
Telephone and Telegraph	8,144	.33	12,006	.35	3,149	.41
Office & Store Exp., and Postage	13,768	.55	18,936	.55	4,565	.60
Shop Supplies and Expense	10,518	.42	16,857	.49	2,457	.32
Car and Truck Expense	23,096	.93	32,157	.93	8,922	1.17
Taxes — Except Payroll & Real Estate	6,429	.26	10,802	.31	1,586	.21
Employee Benefits	37,315	1.50	59,576	1.72	15,073	1.98
Dues and Subscriptions	1,350	.05	1,724	.05	574	.08
Insurance — Except Group & R.E.	12,343	.49	15,790	.46	7,211	.94
Legal and Auditing	4,182	.17	7,302	.21	2,134	.28
Interest & Bank Chgs — Except R.E.	36,950	1.48	42,418	1.22	13,276	1.74
Depreciation	17,836	.71	27,565	.79	6,836	.90
Bad Debts	8,184	.33	11,940	.34	700	.09
Contributions & Miscellaneous	3,583	.14	5,864	.17	943	.12
TOTAL EXPENSE	**410,121**	**16.44**	**596,171**	**17.19**	**162,907**	**21.35**
NET PROFIT ON SALES	**(45,740)**	**(1.82)**	**(40,671)**	**1.17**	**(20,721)**	**(2.71)**
OTHER INCOME	**65,121**	**2.61**	**84,766**	**2.44**	**16,750**	**2.20**
NET OPERATING PROFIT OR LOSS — Before Income Taxes —	**19,381**	**.78**	**125,437**	**3.62**	**(3,971)**	**(.51)**

FINANCIAL DATA — ALL DEALERS

BALANCE SHEET AVERAGES	AGRICULTURAL DEALERS Amount	% Total Assets	INDUSTRIAL DEALERS Amount	% Total Assets	LAWN AND GARDEN DEALERS Amount	% Total Assets
ASSETS						
Cash and Securities	$ 63,833	3.47	$ 98,658	4.35	$ 44,733	8.15
Customer Receivables	127,817	6.96	202,531	8.94	39,278	7.16
Factory & Other Receivables	48,587	2.64	29,430	1.30	6,811	1.24
TOTAL	240,237	13.08	330,619	14.59	90,822	16.55
INVENTORIES						
New Equipment	781,066	42.51	976,724	43.09	249,061	45.40
Used Equipment	263,602	14.35	164,805	7.27	49,491	9.02
Repair Parts	196,987	10.72	208,324	9.19	58,325	10.63
Other Lines	87,896	4.78	152,725	6.74	33,886	6.18
Rental or Lease	102,539	5.58	195,223	8.61		
TOTAL INVENTORIES	**1,432,090**	**77.95**	**1,697,801**	**74.91**	**390,763**	**71.22**
TOTAL CURRENT ASSETS	**1,672,327**	**91.02**	**2,028,420**	**89.50**	**481,585**	**87.78**
Fixed Assets	116,206	6.32	199,388	8.80	48,460	8.83
Finance Reserve and Other Assets	48,761	2.65	38,686	1.71	18,594	3.39
TOTAL ASSETS	**1,837,294**	**100.00**	**2,266,494**	**100.00**	**548,639**	**100.00**
LIABILITIES AND NET WORTH						
Current Accounts Payable and Accruals	110,438		130,138		32,986	
Floor Plan Notes Payable	919,124		1,114,641		295,353	
Notes Payable — Bank and Other	170,535		203,767		51,479	
Mortgages and Other Long-Term	208,543		191,087		62,840	
TOTAL LIABILITIES	**1,408,640**		**1,639,633**		**442,658**	
Net Worth	428,654	23.33	626,861	27.66	105,981	19.32
TOTAL LIABILITIES AND NET WORTH	**1,837,294**		**2,266,494**		**548,639**	

FINANCIAL RATIOS	AGRICULTURAL DEALERS	INDUSTRIAL DEALERS	LAWN AND GARDEN DEALERS
Current Ratio	1.39 TO 1	1.40 TO 1	1.26 TO 1
Ownership Equity	23.33 %	27.65 %	19.31 %
Net Working Capital Turnover	5.28 TIMES	5.97 TIMES	7.49 TIMES
Inventory to Net Working Capital	3.03 TO 1	2.92 TO 1	3.83 TO 1
Turnover of Total Assets	1.35 TIMES	1.52 TIMES	1.39 TIMES
Return on Total Assets	1.05 %	5.53 %	.72 %
Return on Net Worth	4.52 %	20.01 %	3.74 %

PERSONNEL DATA	AGRICULTURAL DEALERS	INDUSTRIAL DEALERS	LAWN AND GARDEN DEALERS
Average Number of Employees per Dealer	12.41	15.66	6.34
Average Total Sales per Employee	188,118	201,011	116,915
Average Total Assets per Employee	133,081	128,028	81,786
Average Number of Salesmen — Including Owners	2.91	3.97	1.86
Average New and Used Sales per Salesman	530,351	491,087	252,679
Average Number of Partsmen	2.06	2.36	1.05
Average Parts Sales per Partsman	245,166	279,475	173,413
Average Number of Servicemen	5.38	6.71	2.23
Average Service Sales per Serviceman	32,310	32,526	33,418
Average Number of Office Employees	1.50	2.09	.81
Average Number of Other Employees	.55	.53	.38

AGRICULTURAL DEALER OPERATIONS BY SALES VOLUME SIZE

OPERATING AVERAGES	SALES UNDER 1,000,000 AVERAGE Amount	% Sales	HIGH PROFIT Amount	% Sales	YOUR FIGURES Amount	% Sales
SALES						
New Equipment	273,799	38.29	257,795	36.21		
Used Equipment	99,375	13.90	90,578	12.72		
Total New and Used	373,174	52.18	348,373	48.94		
Repair Parts	204,263	28.56	215,593	30.29		
Service Labor	56,401	7.89	50,969	7.16		
Other Lines	71,764	10.04	85,248	11.98		
Rental-Lease Income	9,514	1.33	11,684	1.64		
TOTAL SALES	**715,116**	**100.00**	**711,867**	**100.00**		
MARGINS						
New Equipment	24,788	9.05	25,566	9.92		
Used Equipment	7,849	7.90	9,342	10.31		
Total New and Used	32,637	8.75	34,908	10.02		
Repair Parts	63,083	30.88	68,736	31.88		
Service Labor	21,610	38.31	20,620	40.46		
Other Lines	9,895	13.79	3,487	4.09		
Rental-Lease Income	3,148	33.09	9,917	84.88		
TOTAL OPERATING MARGIN	**130,373**	**18.23**	**137,668**	**19.34**		
EXPENSES						
Salaries — Salesmen	12,285	1.72	11,787	1.66		
Travel and Training	1,934	.27	1,636	.23		
Advertising and Promotion	5,988	.84	4,458	.63		
After Sales & Warranty Expense	3,711	.52	1,859	.26		
TOTAL SALES EXPENSE	**23,918**	**3.34**	**19,740**	**2.77**		
Salaries — Officers, Owners	16,509	2.31	16,369	2.30		
Salaries — Partsmen	13,562	1.90	13,310	1.87		
Salaries — Office and Others	9,358	1.31	8,166	1.15		
Occupancy Expense	16,638	2.33	11,200	1.57		
Heat, Light, Power, Water	4,600	.64	3,896	.55		
Telephone and Telegraph	3,403	.48	2,973	.42		
Office and Store Exp., and Postage	4,637	.65	3,666	.51		
Shop Supplies and Expense	4,629	.65	4,760	.67		
Car and Truck Expense	8,449	1.18	7,475	1.05		
Taxes — Except Payroll & Real Estate	2,480	.35	3,033	.43		
Employee Benefits	13,493	1.89	12,028	1.69		
Dues and Subscriptions	885	12	798	.11		
Insurance — Except Group & R.E.	6,248	.87	5,072	.71		
Legal and Auditing	1,855	.26	1,809	.25		
Interest & Bank Chgs — Except R.E.	18,537	2.59	10,276	1.44		
Depreciation	7,093	.99	6,310	.89		
Bad Debts	2,932	.41	3,095	.43		
Contributions and Miscellaneous	1,593	.22	1,533	.22		
TOTAL EXPENSE	**160,817**	**22.49**	**135,509**	**19.04**		
NET PROFIT ON SALES	**(30,444)**	**(4.25)**	**2,159**	**.30**		
OTHER INCOME	**19,497**	**2.73**	**23,086**	**3.24**		
NET OPERATING PROFIT OR LOSS – Before Income Taxes –	**(10,947)**	**(1.52)**	**25,245**	**3.55**		

SALES $1,000,000 TO $2,000,000				SALES $2,000,000 TO $3,000,000				SALES OVER $3,000,000			
AVERAGE		HIGH PROFIT		AVERAGE		HIGH PROFIT		AVERAGE		HIGH PROFIT	
Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales
$ 629,575	39.88	$ 646,537	41.07	$1,066,035	41.07	$1,031,182	39.05	$2,246,976	43.20	$2,235,108	41.18
289,731	18.35	260,218	16.53	512,724	19.75	429,622	16.27	1,182,314	22.73	1,126,328	20.75
919,306	58.23	906,755	57.60	1,578,759	60.82	1,460,804	55.32	3,429,290	65.93	3,361,436	61.93
382,079	24.20	415,593	26.40	527,936	20.34	552,659	20.93	928,107	17.84	1,039,404	19.15
117,647	7.45	106,193	6.75	182,469	7.03	189,826	7.19	351,308	6.75	385,014	7.09
135,657	8.59	109,245	6.94	257,178	9.91	338,250	12.81	404,212	7.77	431,491	7.95
24,015	1.52	36,328	2.31	49,285	1.90	98,953	3.75	88,489	1.70	210,214	3.87
1,578,704	**100.00**	**1,574,114**	**100.00**	**2,595,627**	**100.00**	**2,640,492**	**100.00**	**5,201,406**	**100.00**	**5,427,559**	**100.00**
56,320	8.95	75,048	11.61	82,935	7.78	114,549	11.11	167,742	7.47	172,020	7.70
12,677	4.38	20,078	7.72	22,418	4.37	38,714	9.01	36,953	3.13	109,817	9.75
68,997	7.51	95,126	10.49	105,353	6.67	153,263	10.49	204,695	5.97	281,837	8.38
115,963	30.35	127,754	30.74	162,172	30.72	175,374	31.73	277,553	29.91	319,934	30.78
49,057	41.70	46,449	43.74	78,343	42.93	80,170	42.23	154,541	43.99	173,409	45.04
14,864	10.96	14,665	13.42	29,721	11.56	35,801	10.58	55,458	13.72	69,682	16.15
6,660	27.73	9,755	26.85	12,374	25.11	38,551	38.96	13,601	15.37	19,589	9.32
255,541	**16.19**	**293,749**	**18.66**	**387,963**	**14.95**	**483,159**	**18.30**	**705,848**	**13.57**	**864,451**	**15.93**
23,827	1.51	23,789	1.51	35,682	1.37	35,985	1.36	73,968	1.42	75,698	1.39
3,829	.24	3,638	.23	5,341	.21	6,545	.25	10,324	.20	10,414	.19
12,262	.78	10,662	.68	17,272	.67	17,167	.65	32,042	.62	32,564	.60
8,904	.56	9,213	.59	16,974	.65	13,752	.52	33,618	.65	26,645	.49
48,822	**3.09**	**47,302**	**3.00**	**75,269**	**2.90**	**73,449**	**2.78**	**149,952**	**2.88**	**145,321**	**2.68**
30,828	1.95	31,879	2.03	44,176	1.70	47,369	1.79	75,866	1.46	76,972	1.42
25,143	1.59	23,763	1.51	37,732	1.45	38,528	1.46	66,094	1.27	73,336	1.35
17,501	1.11	18,059	1.15	26,300	1.01	26,974	1.02	44,715	.86	48,279	.89
31,031	1.97	26,051	1.65	41,373	1.59	42,162	1.60	74,358	1.43	81,510	1.50
7,457	.47	6,712	.43	9,909	.38	9,311	.35	16,019	.31	16,124	.30
5,899	.37	5,556	.35	8,489	.33	8,723	.33	15,135	.29	14,430	.27
10,381	.66	9,135	.58	14,675	.57	14,245	.54	25,895	.50	25,651	.47
7,860	.50	7,766	.49	11,072	.43	11,353	.43	18,824	.36	22,121	.41
17,079	1.08	15,257	.97	23,838	.92	24,704	.94	43,570	.84	46,178	.85
4,493	.28	5,688	.36	7,183	.28	6,848	.26	12,077	.23	12,330	.23
27,609	1.75	26,139	1.66	39,730	1.53	41,770	1.58	69,282	1.33	79,738	1.47
1,272	.08	1,110	.07	1,396	.05	1,779	.07	1,832	.04	2,598	.05
9,639	.61	9,989	.63	13,576	.52	13,394	.51	19,896	.38	19,213	.35
3,101	.20	2,837	.18	4,225	.16	4,837	.18	7,544	.15	7,074	.13
30,165	1.91	16,190	1.03	39,522	1.52	23,645	.90	60,740	1.17	39,159	.72
13,370	.85	14,435	.92	18,740	.72	23,080	.87	32,129	.62	36,348	.67
4,976	.32	5,204	.33	8,009	.31	8,270	.31	15,608	.30	12,323	.23
2,500	.16	2,670	.17	3,205	.12	3,770	.14	7,226	.14	5,555	.10
299,126	**18.95**	**275,742**	**17.52**	**428,419**	**16.51**	**424,217**	**16.07**	**756,762**	**14.55**	**764,260**	**14.08**
(43,585)	**(2.75)**	**18,007**	**1.14**	**(40,456)**	**(1.55)**	**58,942**	**2.23**	**(50,914)**	**(.97)**	**100,191**	**1.85**
41,123	**2.60**	**55,314**	**3.51**	**71,730**	**2.76**	**83,244**	**3.15**	**131,556**	**2.53**	**163,143**	**3.01**
(2,462)	**(.15)**	**73,321**	**4.66**	**31,274**	**1.20**	**142,186**	**5.38**	**80,642**	**1.55**	**263,334**	**4.85**

AGRICULTURAL DEALER BALANCE SHEETS, FINANCIAL RATIOS AND PERSONNEL DATA BY SALES VOLUME SIZE

VOLUME GROUP "A"
SALES UNDER $1,000,000

BALANCE SHEET AVERAGES	AVERAGE Amount	AVERAGE % Total Assets	HIGH PROFIT Amount	HIGH PROFIT % Total Assets	YOUR FIGURES Amount	YOUR FIGURES % Total Assets
ASSETS						
Cash and Securities	$ 29,696	3.94	$ 61,938	9.20		
Customer Receivables	45,518	6.04	49,150	7.30		
Factory Receivables and Other	13,672	1.82	8,251	1.23		
TOTAL	**88,886**	**11.80**	**119,339**	**17.72**		
INVENTORIES						
New Equipment	332,389	44.13	249,840	37.10		
Used Equipment	89,867	11.93	48,517	7.20		
Repair Parts	95,806	12.72	76,479	11.36		
Other Lines	44,512	5.91	28,106	4.17		
Rental or Lease	31,023	4.12	58,513	8.69		
TOTAL INVENTORIES	**593,597**	**78.81**	**461,455**	**68.53**		
TOTAL CURRENT ASSETS	**682,483**	**90.61**	**580,794**	**86.25**		
Fixed Assets	56,614	7.52	71,242	10.58		
Finance Reserve and Other Assets	14,142	1.88	21,365	3.17		
TOTAL ASSETS	**753,239**	**100.00**	**673,401**	**100.00**		
LIABILITIES AND NET WORTH						
Current Accounts Payable and Accruals	45,400		27,337			
Floor Plan Notes Payable	367,855		254,661			
Notes Payable — Bank and Other	73,666		42,441			
Mortgages and Other Long-Term	113,969		100,057			
TOTAL LIABILITIES	**600,890**		**424,496**			
Net Worth	152,349	20.23	248,905	36.96		
TOTAL LIABILITIES AND NET WORTH	**753,239**		**673,401**			

INVENTORY TURNOVER	Amount	Times Turn	Amount	Times Turn
New Equipment	332,389	.74	249,840	.92
Used Equipment	89,867	1.01	48,517	1.67
Repair Parts	95,806	1.47	76,479	1.92
Other Lines	44,512	1.38	28,106	2.90
Rental or Lease	31,023	.20	58,513	.03
TOTAL INVENTORIES	**593,597**	**.98**	**461,455**	**1.24**

FINANCIAL RATIOS		
Current Ratio	1.40 TO 1	1.79 TO 1
Ownership Equity	20.22 %	36.96 %
Net Working Capital Turnover	3.65 TIMES	2.77 TIMES
Inventory to Net Working Capital	3.03 TO 1	1.80 TO 1
Turnover of Total Assets	.94 TIMES	1.05 TIMES
Return on Total Assets	(1.45 %)	3.74 %
Return on Net Worth	(7.18 %)	10.14 %

PERSONNEL DATA		
Average Number of Employees per Dealer	6.60	6.19
Average Total Sales per Employee	99,151	104,684
Average Total Assets per Employee	102,142	94,045
Average Number of Salesmen — Including Owners	1.76	1.70
Average New and Used Sales per Salesman	209,856	204,925
Average Number of Partsmen	1.11	1.03
Average Parts Sales per Partsman	183,188	209,314
Average Number of Servicemen	2.59	2.43
Average Service Sales per Serviceman	21,678	20,975
Average Number of Office Employees	1.00	.94
Average Number of Other Employees	.14	.10
Average Hourly Wage — Top Mechanic	6.98	6.88
Average Hourly Wage — Regular Mechanic	4.93	4.39
Average Hourly Customer Shop Rate	20.50	19.77
Average Hourly Internal Shop Rate	16.13	15.76

VOLUME GROUP "B" SALES $1,000,000 TO $2,000,000				VOLUME GROUP "C" SALES $2,000,000 TO $3,000,000				VOLUME GROUP "D" SALES OVER $3,000,000			
AVERAGE		HIGH PROFIT		AVERAGE		HIGH PROFIT		AVERAGE		HIGH PROFIT	
Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets
43,455	3.31	86,780	6.58	70,393	3.68	135,771	7.03	120,346	3.57	202,418	5.63
85,631	6.52	98,891	7.49	143,067	7.47	175,217	9.07	244,884	7.26	303,269	8.44
26,362	2.01	28,405	2.15	37,705	1.97	24,050	1.24	101,234	3.00	103,460	2.88
155,448	11.83	214,076	16.22	251,165	13.12	335,038	17.34	466,466	13.83	609,147	16.95
599,622	45.65	545,639	41.34	818,497	42.76	713,666	36.93	1,400,576	41.52	1,337,171	37.21
183,525	13.97	140,945	10.68	266,048	13.90	219,543	11.36	526,435	15.61	427,230	11.89
152,690	11.62	143,875	10.90	217,245	11.35	208,756	10.80	330,950	9.81	329,730	9.18
67,896	5.17	57,353	4.35	106,707	5.57	140,023	7.25	123,530	3.66	156,572	4.36
49,305	3.75	100,607	7.62	92,040	4.81	143,199	7.41	202,898	6.01	350,183	9.75
1,053,038	**80.16**	**988,419**	**74.89**	**1,500,537**	**78.39**	**1,425,187**	**73.74**	**2,584,389**	**76.61**	**2,600,886**	**72.38**
1,208,486	**91.99**	**1,202,495**	**91.11**	**1,751,702**	**91.51**	**1,760,225**	**91.08**	**3,050,855**	**90.44**	**3,210,033**	**89.33**
79,169	6.03	79,480	6.02	107,969	5.64	132,390	6.85	226,979	6.73	271,251	7.55
26,008	1.98	37,841	2.87	54,546	2.85	40,047	2.07	95,452	2.83	112,176	3.12
1,313,663	**100.00**	**1,319,816**	**100.00**	**1,914,217**	**100.00**	**1,932,662**	**100.00**	**3,373,286**	**100.00**	**3,593,460**	**100.00**
73,672		65,576		132,854		125,109		194,975		204,477	
683,480		597,335		941,523		765,188		1,671,877		1,494,703	
140,624		104,013		178,766		134,998		283,416		222,036	
154,778		134,813		184,792		171,899		371,709		457,133	
1,052,554		**901,737**		**1,437,935**		**1,197,194**		**2,521,977**		**2,378,349**	
261,109	19.88	418,079	31.68	476,282	24.88	735,468	38.05	851,309	25.24	1,215,111	33.81
1,313,663		**1,319,816**		**1,914,217**		**1,932,662**		**3,373,286**		**3,593,460**	
Amount	Times Turn	Amount	Times Turn	Amount	Times Turn	Amount	Times Turn	Amount	Times Turn	Amount	Times Turn
599,622	.95	545,639	1.04	818,497	1.20	713,666	1.28	1,400,576	1.48	1,337,171	1.54
183,525	1.50	140,945	1.70	266,048	1.84	219,543	1.78	526,435	2.17	427,230	2.37
152,690	1.74	143,875	2.00	217,245	1.68	208,756	1.80	330,950	1.96	329,730	2.18
67,896	1.77	57,353	1.64	106,707	2.13	140,023	2.16	123,530	2.82	156,572	2.31
49,305	.35	100,607	.26	92,040	.40	143,199	.42	202,898	.36	350,183	.54
1,053,038	**1.25**	**988,419**	**1.29**	**1,500,537**	**1.47**	**1,425,187**	**1.51**	**2,584,389**	**1.73**	**2,600,886**	**1.75**
1.34 TO 1		1.56 TO 1		1.39 TO 1		1.71 TO 1		1.41 TO 1		1.67 TO 1	
19.87 %		31.67 %		24.88 %		38.05 %		25.23 %		33.81 %	
5.08 TIMES		3.61 TIMES		5.20 TIMES		3.59 TIMES		5.77 TIMES		4.21 TIMES	
3.38 TO 1		2.26 TO 1		3.00 TO 1		1.93 TO 1		2.86 TO 1		2.01 TO 1	
1.20 TIMES		1.19 TIMES		1.35 TIMES		1.36 TIMES		1.54 TIMES		1.51 TIMES	
.18 %		5.55 %		1.63 %		7.35 %		2.39 %		7.32 %	
.94 %		17.53 %		6.56 %		19.33 %		9.47 %		21.67 %	
10.04		9.88		13.13		13.49		19.45		19.77	
148,246		150,454		185,381		176,825		253,299		255,652	
119,975		117,662		133,500		126,577		157,308		158,375	
2.43		2.31		2.98		3.17		4.39		4.01	
378,315		392,535		529,785		460,821		781,159		838,263	
1.67		1.67		2.16		2.14		3.24		3.67	
228,790		248,858		244,415		258,252		286,453		283,216	
4.28		4.09		5.88		6.16		8.59		8.80	
27,488		25,964		31,032		30,816		40,723		43,010	
1.31		1.35		1.51		1.53		2.15		2.32	
.36		.46		.59		.48		1.08		.96	
7.72		7.35		8.35		8.57		9.11		9.63	
6.25		6.18		6.66		7.12		7.22		7.87	
21.13		20.64		23.20		23.13		24.87		25.74	
17.17		15.98		19.56		19.09		21.46		21.85	

AGRICULTURAL DEALER OPERATIONS AND BALANCE SHEETS BY GEOGRAPHIC REGION

	REGION 1		REGION 2		REGION 3		REGION 4	
	Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales
SALES								
New Equipment	$ 927,507	41.67	$ 826,614	39.10	$1,079,242	42.84	$ 974,843	45.93
Used Equipment	338,579	15.21	252,718	11.96	381,808	15.16	426,438	20.09
Total New and Used	1,266,086	56.88	1,079.332	51.06	1,461,050	58.00	1,401,281	66.02
Repair Parts	472,891	21.25	546,986	25.88	599,126	23.78	425,840	20.06
Service Labor	163,679	7.35	125,037	5.91	174,877	6.94	138,206	6.51
Other Lines	295,360	13.27	318,781	15.08	265,202	10.53	92,877	4.38
Rental Lease Income	27,797	1.25	43,761	2.07	18,760	.74	64,220	3.03
TOTAL SALES	**2,225,813**	**100.00**	**2,113,897**	**100.00**	**2,519,015**	**100.00**	**2,122,424**	**100.00**
MARGINS								
New Equipment	98,184	10.59	73,601	8.90	100,523	9.31	79,575	8.16
Used Equipment	15,490	4.58	8,425	3.33	13,121	3.44	6,512	1.53
Total New and Used	113,674	8.98	82,026	7.60	113,644	7.78	86,087	6.14
Repair Parts	138,377	29.26	161,717	29.57	176,565	29.47	130,866	30.73
Service Labor	75,012	45.83	48,515	38.80	73,359	41.95	54,964	39.77
Other Lines	26,639	9.02	54,704	17.17	14,848	5.60	16,824	18.11
Rental Lease Income	2,605	9.37	(284)	(0.64)	(1,805)	(9.61)	18,153	28.27
TOTAL OPERATING MARGIN	**356,307**	**16.01**	**346,714**	**16.40**	**376,611**	**14.95**	**306,894**	**14.46**
EXPENSES								
Salaries — Salesmen	35,348	1.59	29.567	1.40	37,224	1.48	27,631	1.30
Travel and Training	4,819	.22	4,791	.23	7,298	.29	3,836	.18
Advertising and Promotion	17,987	.81	10,234	.48	15,941	.63	14,092	.66
After Sales and Warranty Expense	14,057	.63	13,934	.66	12,006	.48	11,941	.56
TOTAL SALES EXPENSE	**72,211**	**3.24**	**58,526**	**2.77**	**72,469**	**2.88**	**57,500**	**2.71**
Salaries — Officers, Owners	38,418	1.73	40,718	1.93	42,125	1.67	33,905	1.60
Salaries Partsmen	32,610	1.47	32,221	1.52	41,596	1.65	26,345	1.24
Salaries Office and Others	22,231	1.00	24,898	1.18	29,202	1.16	21,592	1.02
Occupancy Expense	33,433	1.50	28,139	1.33	38,946	1.55	38,408	1.81
Heat, Light, Power, Water	9,268	.42	6,543	.31	9,981	.40	7,980	.38
Telephone and Telegraph	7,479	.34	7,394	.35	8,512	.34	7,456	.35
Office and Store Expense and Postage	13,804	.62	14,352	.68	14,555	.58	10,354	.49
Shop Supplies and Expense	9,891	.44	9,991	.47	10,879	.43	8,579	.40
Car and Truck Expense	21,510	.97	21,061	1.00	20,261	.80	17,199	.81
Taxes — Except Payroll & Real Estate	8,152	.37	6,663	.32	6,895	.27	7,414	.35
Employee Benefits	42,741	1.92	34,725	1.64	37,876	1.50	31,180	1.47
Dues and Subscriptions	1,065	.05	1,191	.06	1,485	.06	560	.03
Insurance — Except Group & R.E.	12,009	.54	11,416	.54	13,377	.53	8,339	.39
Legal and Auditing	4,990	.22	3,012	.14	4,382	.17	3,282	.15
Interest & Bank Chgs — Except R.E.	33,161	1.49	23,761	1.12	34,209	1.36	30,491	1.44
Depreciation	15,084	.68	17,170	.81	21,345	.85	13,877	.65
Bad Debts	10,872	.49	12,910	.61	11,137	.44	7,818	.37
Contributions and Miscellaneous	3,064	.14	6,305	.30	4,240	.17	3,421	.16
TOTAL EXPENSE	**391,993**	**17.61**	**360,996**	**17.08**	**423,472**	**16.81**	**335,700**	**15.82**
NET PROFIT ON SALES	**(35,686)**	**(1.59)**	**(14,282)**	**(.67)**	**(46,861)**	**(1.85)**	**(28,806)**	**(1.35)**
OTHER INCOME	**59,030**	**2.65**	**67,513**	**3.19**	**76,163**	**3.02**	**57,332**	**2.70**
NET OPERATING PROFIT OR LOSS – BEFORE INCOME TAXES –	**23,344**	**1.05**	**53,231**	**2.52**	**29,302**	**1.16**	**28,526**	**1.34**

	Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets
ASSETS								
Cash and Securities	$ 68,503	5.03	84,506	6.43	91,418	5.19	58,748	4.11
Customer Receivables	136,938	10.06	136,582	10.39	153,184	8.69	97,010	6.79
Factory & Other Receivables	25,634	1.88	21.733	1.65	54,800	3.11	36,144	2.53
TOTAL	**231,075**	**16.97**	**242,821**	**18.48**	**299,402**	**16.99**	**191,902**	**13.42**
INVENTORIES								
New Equipment	518,693	38.09	517,666	39.39	750,701	42.60	634,627	44.39
Used Equipment	179,282	13.16	99,782	7.59	155,220	8.81	183,844	12.86
Repair Parts	180,427	13.25	173,215	13.18	207,962	11.80	162,778	11.39
Other Lines	102,034	7.49	97,548	7.42	114,255	6.48	46,461	3.25
Rental or Lease	20,849	1.53	68,996	5.25	32,497	1.84	50,237	3.51
TOTAL INVENTORIES	**1,001,285**	**73.52**	**957,207**	**72.84**	**1,260,635**	**71.54**	**1,077,947**	**75.40**
TOTAL CURRENT ASSETS	**1,232,360**	**90.49**	**1,200,028**	**91.32**	**1,560,037**	**88.53**	**1,269,849**	**88.83**
Fixed Assets	96,522	7.09	81,585	6.21	130,195	7.39	112,547	7.87
Finance Reserve and Other Assets	33,002	2.42	32,513	2.47	72,021	4.09	47,187	3.30
TOTAL ASSETS	**1,361,884**	**100.00**	**1,314,126**	**100.00**	**1,762,253**	**100.00**	**1,429,583**	**100.00**
LIABILITIES AND NET WORTH								
Current Accounts Payable and Accruals	87,880		80,572		71,695		93,442	
Floor Plan Notes Payable	598,725		561,094		833,415		767,764	
Notes Payable — Bank and Other	134,456		93,398		167,513		119,068	
Mortgages and Other Long Term	147,440		150,622		190,831		156,438	
TOTAL LIABILITIES	**968,501**		**885,686**		**1,263,454**		**1,136,712**	
Net Worth	393,383	28.89	428,440	32.60	498,799	28.30	292,871	20.49
TOTAL LIABILITIES AND NET WORTH	**1,361,884**		**1,314,126**		**1,762,253**		**1,429,583**	

SEE MAP ON COVER FOR IDENTIFICATION OF REGIONS

REGION 5		REGION 6		REGION 7		REGION 8		REGION 9		CANADA	
Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales
$ 939,553	41.69	955,314	39.69	748,797	39.22	834,641	39.11	1,113,541	36.40	2,213,517	48.77
458,923	20.36	572,091	23.77	476,996	24.98	539,088	25.26	490,296	16.03	1,100,025	24.24
1,398,476	62.06	1,527,405	63.46	1,225,793	64.20	1,373,729	64.37	1,603,837	52.42	3,313,542	73.01
418,903	18.59	449,664	18.68	407,626	21.35	460,652	21.58	734,533	24.01	684,807	15.09
174,415	7.74	157,646	6.55	147,343	7.72	141,046	6.61	252,796	8.26	273,132	6.02
231,835	10.29	239,479	9.95	109,290	5.72	126,525	5.93	332,650	10.87	229,770	5.06
29,995	1.33	32,514	1.35	19,259	1.01	32,208	1.51	135,489	4.43	37,195	.82
2,253,584	**100.00**	**2,406,708**	**100.00**	**1,909,311**	**100.00**	**2,134,160**	**100.00**	**3,059,305**	**100.00**	**4,538,446**	**100.00**
49,411	5.26	64,856	6.79	50,306	6.72	56,000	6.71	122,632	11.01	181,474	8.20
36,556	7.97	15,636	2.73	5,021	1.05	4,206	.78	29,105	5.94	50,390	4.58
85,967	6.15	80,492	5.27	55,327	4.51	60,206	4.38	151,737	9.46	231,864	7.00
124,003	29.60	134,662	29.95	129,325	31.73	145,675	31.62	233,167	31.74	196,975	28.76
73,620	42.21	68,854	43.68	62,375	42.33	58,888	41.75	116,621	46.13	111,246	40.73
38,915	16.79	17,907	7.48	11,167	10.22	9,007	7.12	38,886	11.69	36,845	16.04
16,551	55.25	9,018	27.74	7,033	36.52	(10,644)	(33.04)	41,891	30.92	(230)	(.61)
339,056	**15.05**	**310,933**	**12.92**	**265,227**	**13.89**	**263,132**	**12.33**	**582,302**	**19.03**	**576,700**	**12.71**
30,785	1.37	30,082	1.25	28,882	1.51	30,372	1.42	54,947	1.80	68,275	1.50
3,374	.15	4,596	.19	3,857	.20	3,108	.15	8,082	.26	12,757	.28
16,118	.72	16,045	.67	14,073	.74	13,903	.65	21,327	.70	28,124	.62
16,994	.75	16,973	.71	14,037	.74	14,390	.67	20,202	.66	24,100	.53
67,271	**2.99**	**67,696**	**2.81**	**60,849**	**3.19**	**61,773**	**2.89**	**104,638**	**3.42**	**133,256**	**2.94**
37,669	1.67	36,869	1.53	33,894	1.78	36,690	1.72	57,777	1.89	65,861	1.45
31,207	1.38	29,332	1.22	29,656	1.55	32,521	1.52	53,659	1.75	52,230	1.15
19,382	.86	19,529	.81	19,140	1.00	20,361	.95	37,579	1.23	38,944	.86
31,950	1.42	37,195	1.55	38,004	1.99	32,353	1.52	65,030	2.13	71,251	1.57
9,694	.43	9,515	.40	9,597	.50	7,901	.37	10,551	.34	12,924	.28
7,065	.31	6,882	.29	6,262	.33	5,731	.27	11,437	.37	16,001	.35
10,706	.48	12,628	.52	10,355	.54	10,751	.50	20,042	.66	24,352	.54
10,179	.45	9,161	.38	6,931	.36	8,147	.38	19,851	.65	12,593	.28
20,931	.93	23,515	.98	18,074	.95	16,922	.79	33,391	1.09	39,967	.88
4,017	.18	2,822	.12	3,409	.18	9,333	.44	6,694	.22	12,499	.28
36,648	1.63	33,210	1.38	31,048	1.63	34,129	1.60	59,510	1.95	32,859	.72
2,225	.10	1,131	.05	949	.05	762	.04	1,926	.06	1,644	.04
11,831	.52	12,744	.53	12,508	.66	13,018	.61	14,307	.47	12,560	.28
3,593	.16	3,258	.14	3,658	.19	3,046	.14	6,827	.22	6,560	.14
37,549	1.67	37,198	1.55	35,405	1.85	29,391	1.38	54,181	1.77	51,215	1.13
15,449	.69	16,920	.70	15,491	.81	15,049	.71	25,543	.83	25,411	.56
6,688	.30	7,165	.30	5,978	.31	5,234	.25	11,885	.39	6,197	.14
2,629	.12	2,003	.08	2,129	.11	3,502	.16	4,851	.16	6,228	.14
366,683	**16.27**	**368,773**	**15.32**	**343,337**	**17.98**	**346,614**	**16.24**	**599,679**	**19.60**	**622,552**	**13.72**
(27,627)	**(1.22)**	**(57,840)**	**(2.39)**	**(78,110)**	**(4.08)**	**(83,482)**	**(3.90)**	**(17,377)**	**(.56)**	**(45,852)**	**(1.00)**
58,616	**2.60**	**60,682**	**2.52**	**58,011**	**3.04**	**56,641**	**2.65**	**74,217**	**2.43**	**98,766**	**2.18**
30,989	**1.38**	**2,842**	**.12**	**(20,099)**	**(1.04)**	**(26,841)**	**(1.25)**	**56,840**	**1.86**	**52,914**	**1.17**
Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets
$ 56,466	3.38	43,665	2.40	51,007	2.88	64,146	3.94	92,803	3.93	53,407	1.70
111,131	6.65	96,394	5.31	84,360	4.76	121,918	7.49	212,306	9.00	163,132	5.19
41,850	2.50	39,543	2.18	31,417	1.77	37,151	2.28	60,685	2.57	131,163	4.17
209,447	12.53	179,602	9.88	166,784	9.40	223,215	13.72	365,794	15.50	347,702	11.05
750,359	44.90	812,900	44.74	808,256	45.57	679,226	41.75	840,004	35.60	1,474,350	46.87
235,608	14.10	295,886	16.28	295,001	16.63	230,613	14.18	259,777	11.01	635,305	20.20
178,395	10.68	192,215	10.58	194,674	10.98	185,313	11.39	246,526	10.45	260,418	8.28
70,037	4.19	118,528	6.52	69,236	3.90	65,540	4.03	123,124	5.22	59,787	1.90
112,948	6.76	76,963	4.24	84,279	4.75	92,468	5.68	272,359	11.54	74,062	2.35
1,347,347	**80.63**	**1,496,492**	**82.36**	**1,451,446**	**81.83**	**1,253,160**	**77.03**	**1,741,790**	**73.82**	**2,503,922**	**79.61**
1,556,794	**93.17**	**1,676,094**	**92.25**	**1,618,230**	**91.24**	**1,476,375**	**90.75**	**2,107,584**	**89.32**	**2,851,624**	**90.66**
81,319	4.87	93,065	5.12	109,347	6.17	97,903	6.02	165,808	7.03	239,768	7.62
32,885	1.97	47,780	2.63	46,091	2.60	52,617	3.23	86,117	3.65	54,016	1.72
1,670,998	**100.00**	**1,816,939**	**100.00**	**1,773,668**	**100.00**	**1,626,895**	**100.00**	**2,359,509**	**100.00**	**3,145,408**	**100.00**
98,523		123,074		84,248		103,758		166,877		180,444	
878,050		985,053		968,984		838,225		952,363		1,733,408	
145,842		190,790		168,925		138,954		158,824		351,561	
177,695		165,683		164,933		180,553		339,566		376,821	
1,300,110		**1,464,600**		**1,387,090**		**1,261,490**		**1,617,630**		**2,642,234**	
370,888	22.20	352,339	19.39	386,578	21.80	365,405	22.46	741,879	31.44	503,174	16.00
1,670,998		**1,816,939**		**1,773,668**		**1,526,895**		**2,359,509**		**3,145,408**	

AGRICULTURAL DEALER FIXED ASSETS BY SALES VOLUME SIZE

	VOLUME GROUP "A" SALES UNDER 1,000,000		VOLUME GROUP "B" SALES $1,000,000 TO $2,000,000	
	AVERAGE	HIGH PROFIT	AVERAGE	HIGH PROFIT
Land and Buildings	$47,934	$65,410	$68,499	$53,599
Leasehold Improvements	3,875	2,756	8,088	12,095
Shop and Office Equipment	17,778	16,431	31,539	26,958
Furniture and Fixtures	9,672	8,522	17,514	17,690
Cars, Trucks and Other Vehicles	38,654	36,136	62,850	63,417
Reserve for Depreciation	(59,640)	(55,896)	(107,809)	(105,777)
Net Book Value Fixed Assets	58,273	73,359	80,681	67,982

	VOLUME GROUP "C" SALES $2,000,000 TO $3,000,000		VOLUME GROUP "D" SALES OVER $3,000,000	
	AVERAGE	HIGH PROFIT	AVERAGE	HIGH PROFIT
Land and Buildings	$79,337	$93,136	$170,948	$238,152
Leasehold Improvements	11,182	9,564	25,976	17,393
Shop and Office Equipment	37,715	39,531	56,950	53,237
Furniture and Fixtures	27,741	23,428	44,735	59,151
Cars, Trucks and Other Vehicles	81,586	89,984	136,721	140,786
Reserve for Depreciation	(137,694)	(134,098)	(232,775)	(254,131)
Net Book Value Fixed Assets	99,867	121,545	202,555	254,588

	NATIONAL ALL DEALERS	
	AVERAGE	HIGH PROFIT
Land and Buildings	$93,251	$114,186
Leasehold Improvements	12,565	12,509
Shop and Office Equipment	36,743	35,179
Furniture and Fixtures	25,324	28,170
Cars, Trucks and Other Vehicles	81,353	85,722
Reserve for Depreciation	(137,226)	(141,960)
Net Book Value Fixed Assets	112,009	133,806

REGIONAL MEMBERSHIP — U.S.
(As of January 1, 1985)

Region 1 – 1,097
Mar-Del-Va
New England
New Jersey
New York
Pennsylvania
Virginia

Region 2 – 905
Alabama
Carolinas
Deep South
Georgia
Southern

Region 3 – 858
Mid-South
Southwest

Region 4 – 928
Indiana
Kentucky
Ohio

Region 5 – 1,153
Illinois
Michigan
Wisconsin

Region 6 – 1,082
Minnesota-South Dakota
North Dakota

Region 7 – 790
Iowa-Nebraska

Region 8 – 765
Mississippi Valley
Western

Region 9 – 987
Far West
Intermountain
Montana
Mountain States
Pacific Northwest

TEN IMPORTANT FINANCIAL AND OPERATING RATIOS

Financial records, carefully maintained, provide dealers with the only sound measuring device for business success. They help to measure the ability of their business to generate profits and to meet claims against it. They provide the basis, also, for isolating the business' strengths and weaknesses and may, through analysis, suggest how best to plan for profits and to maintain solvency.

With this in mind, the following ratios have been developed from year-end operating statements and balance sheets submitted by dealers in the current studies. Dealers having adequate records will find comparison of these ratios most revealing and helpful.

CURRENT RATIO

Figure by dividing Current Assets by Current Liabilities.

This ratio compares the total of cash and the items which will be converted into cash, with debts which must be paid soon. Thus, the ratio reflects ability to handle current debts.

A ratio of 2.00 to 1 ($2.00 of Current Assets for each $1.00 of Current Liabilities) is considered satisfactory. When the ratio falls below 2.00 to 1, creditors have a greater interest in Current Assets than the owner.

EMPLOYEE STUDIES

In the space provided on page 12, enter the number of employees in each category as applicable for your business. Then calculate the average sales per employee by dividing the applicable sales amount by the number of employees for each category.

Comparison of your sales per employee in each category to the averages is the first step in measuring employee efficiency. The next step is to compare your current year figures to previous years.

OWNERSHIP EQUITY

Figure by dividing Net Worth by Total Assets.

Ownership Equity is shown on the "Net Worth" line of the balance sheet in the column headed "% Total Assets".

This ratio shows how much of the business is proprietor-owned; and conversely, by subtracting the percentage from 100 percent, it shows how much of the business is financed by outside capital (creditors).

When Net Worth is less than 50 percent of Total Assets, creditors have a greater interest in the assets than proprietors.

RECEIVABLES TURNOVER

Figure by dividing the total of Repair Parts and Service Sales by Accounts Receivable.

The turnover rate is meaningful when customer receivables are related to the corresponding customer sales of the dealership. Since internal sales of parts and labor have not been separated from customer sales in this survey, turnover is not calculated.

This ratio shows whether or not receivables are in proportion to amount of business transacted and might be used every month to good advantage. Divide sales year-to-date by receivables and compare with ratio for same period in past two or three years. Unfavorable trends can thus be detected.

NET WORKING CAPITAL TURNOVER

Net Working Capital is determined by subtracting Current Liabilities from Current Assets.

Rate of turnover is figured by dividing Sales by Net Working Capital.

How many times Net Working Capital turns over in a year in Sales is a good measure of activity for any business. It is a sensitive indicator of overtrading or undertrading; and as such, it is a good test of the adequacy of Net Working Capital for the scale of operations of the firm.

When this ratio is too high, it will usually be found that the dealership is short of cash and heavy on receivables and paid-for inventory. This situation promotes borrowing or sale of equipment at a loss to meet payroll and other fixed obligations. When it is too low, inefficient use of capital in the dealership is indicated. It is usually attended by a pile-up of receivables or inventory or cash, or a combination of these, in excess of the needs of the business.

INVENTORY TO NET WORKING CAPITAL

Figure by dividing Inventory by Net Working Capital.

This ratio for most dealers in the farm and power equipment industry is extremely high because first, inventories are characteristically heavy and represent a major portion of Total Current Assets; and second, because of the heavy financing of whole goods.

In most other retail lines, inventory requirements are relatively smaller and supplier credit terms are shorter.

TURNOVER OF TOTAL ASSETS

Figure by dividing Sales by Total Assets.

The importance of this ratio is illustrated in the question of why a dealership with $750,000 of Total Assets achieves Total Sales of $1,500,000 while another with an equal amount of assets achieves a Total Sales volume of only $1,000,000. The first would seem to be more efficient in its use of assets.

However, a high rate of turnover is not necessarily the key to profits. As in the ratio, Sales to Net Working Capital, high turnover may be an indicator of inadequate capital in relation to sales volume. Also, high usage of rental property by a dealer usually results in a high rate of turnover.

RETURN ON ASSETS

Figure by dividing Net Profit by Total Assets.

This ratio, too, is an important test of operating efficiency. It is a test of the quality of management in the utilization of the assets in the business. It lays aside all problems related to the source of funds, whether such funds are obtained from capital investment, borrowings, or purchases on credit. It shows the return on total capital invested in the business (owner capital plus outside capital), which is represented by Total Assets.

RETURN ON NET WORTH

Figure by dividing Net Profit by Net Worth.

In using this ratio, it is important that a fair salary for the owner be included in operating expenses of the business. The owner's time is certainly worth something; therefore, all Net Profit ratios should be based upon the profit *after* this salary is paid or taken into consideration in the figuring. Adequacy of profit must be measured in the light of current returns on money in the investment market, as well as compensation for risk.

INVENTORY TURNOVER

Figure by dividing Cost of Sales by Inventory.

Cost of Sales figures are not reported in this study but may be figured, if needed, by subtracting Margin from the corresponding Sales.

This ratio shows the number of times Inventory is bought and sold during the year, reflected in "turnover" in the balance sheet studies.

ASSOCIATIONS SERVING DEALERS IN NORTH AMERICA

ALABAMA FARM & POWER EQUIPMENT DEALERS ASSOCIATION
P.O. Box 431, Luverne, AL 36049

FARM EQUIPMENT DEALERS ASSOCIATION OF ALBERTA/BRITISH COLUMBIA
3801 G-21st St. NE, Calgary, Albt., T2E 6T5 Canada

CAROLINAS FARM & POWER EQUIPMENT DEALERS ASSOCIATION
P.O. Drawer 3776 — 211 Broad St., Wilson, NC 27893

DEEP SOUTH EQUIPMENT DEALERS ASSOCIATION
P.O. Box 1191, Baton Rouge, LA 70821

FAR WEST EQUIPMENT DEALERS ASSOCIATION
1601 N. Main St., Suite 202, Walnut Creek, CA 94596

GEORGIA FARM EQUIPMENT ASSOCIATION
428 Academy Ave., Dublin, GA 31021

ILLINOIS RETAIL FARM EQUIPMENT ASSOCIATION
P.O. Box 1227, Peoria, IL 61654

INDIANA IMPLEMENT DEALERS ASSOCIATION
9600 Association Court, Indianapolis, IN 46280

INTERMOUNTAIN ASSOCIATION OF HARDWARE & IMPLEMENT DEALERS
2230 Main St., Boise, ID 83702

IOWA-NEBRASKA FARM EQUIPMENT ASSOCIATION
2716 Grand Ave., Des Moines, IA 50312

KENTUCKY FARM & POWER EQUIPMENT DEALERS ASSOCIATION
P.O. Box 329, Louisville, KY 40201-0329

MAR-DEL-VA FARM & POWER EQUIPMENT ASSOCIATION
2400 Valley Ave., Room 5, Winchester, VA 22601

MICHIGAN EQUIPMENT DEALERS ASSOCIATION
P.O. Box 26008, Lansing, MI 48909

MID-SOUTH FARM EQUIPMENT ASSOCIATION
P.O. Box 17777, Memphis, TN 38187-0777

FARM EQUIPMENT ASSOCIATION OF MINNESOTA-SOUTH DAKOTA
129 East Broadway, Owatonna, MN 55060

MISSISSIPPI VALLEY FARM EQUIPMENT ASSOCIATION
Suite 300, 10877 Watson Rd., St. Louis, MO 63127

MONTANA HARDWARE & IMPLEMENT ASSOCIATION
3067 North Montana Ave., Helena, MT 59601

MOUNTAIN STATES HARDWARE & IMPLEMENT ASSOCIATION
1380 Carr Street, Lakewood, CO 80215

NEW ENGLAND EQUIPMENT DEALERS ASSOCIATION
Rt. 9, Page Road, Box 327, Concord, NH 03301

NEW JERSEY LAWN, INDUSTRIAL & FARM EQUIPMENT DEALERS ASSOCIATION
P.O. Box 7071, West Trenton, NJ 08628

NEW YORK FARM EQUIPMENT DEALERS ASSOCIATION
3 Broad St., Hamilton, NY 13346

NORTH DAKOTA IMPLEMENT DEALERS ASSOCIATION
P.O. Box 2524, Fargo, ND 58108

OHIO ASSOCIATION OF FARM & POWER EQUIPMENT RETAILERS
P.O. Box 68, Dublin, OH 43017

ONTARIO RETAIL FARM EQUIPMENT DEALERS ASSOCIATION
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PACIFIC NORTHWEST HARDWARE & IMPLEMENT ASSOCIATION
333 SW 5th Avenue, Room 606, Portland, OR 97204

PENNSYLVANIA FARM & POWER EQUIPMENT ASSOCIATION
4605 Locust Lane, Harrisburg, PA 17109-4494

ASSOCIATION DES MARCHANDS DE MACHINES ARATOIRES DE LA PROVINCE DE QUEBEC
P.O. Box 941, Bedford, Quebec, J0J 1A0 Canada

SASKATCHEWAN MANITOBA IMPLEMENT DEALERS ASSOCIATION
Suite 10, 2602 8th St., East, Saskatoon, Sask. S7H 0V7 Canada

SOUTHERN ASSOCIATION
2111 Smith St., Orange Park, FL 32073

SOUTHWEST HARDWARE & IMPLEMENT ASSOCIATION
4629 Mark IV Parkway, Ft. Worth, TX 76106

VIRGINIA FARM & INDUSTRIAL EQUIPMENT DEALERS ASSOCIATION
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WESTERN RETAIL IMPLEMENT & HARDWARE ASSOCIATION
P.O. Box 19264, Kansas City, MO 64141

WISCONSIN FARM EQUIPMENT ASSOCIATION
P.O. Box 4364, Madison, WI 53711

in cooperation with

NATIONAL FARM & POWER EQUIPMENT DEALERS ASSOCIATION

10877 Watson Road • St. Louis, Missouri 63127